

MINUTES

Regular Meeting: Workshop Session
George W. Clay, Jr. Utility Operations Center

June 1, 2009
Monday, 6:00 p.m.

Present: Mayor W. Ted Alexander, presiding; Council Members Christopher H. (Chris) Mabry, Larry G. Ware, Jeanette D. Patterson, Joel R. Shores, Jr., Andrew L. Hopper, Sr.; City Manager Rick Howell, City Attorney Robert W. (Bob) Yelton, City Clerk Bernadette A. Parduski, CMC, Director of Finance Theodore B. (Ted) Phillips, CPA, Director of Human Resources Deborah C. (Deb) Jolly, Director of Utilities Brad R. Cornwell, PLS, EI, Fire Chief William P. Hunt, Assistant Fire Chief Jacob E. (Jake) Whisnant, Director of Public Works Daniel C. (Danny) Darst, Director of Parks and Recreation Charlie Holtzclaw, Director of Planning Services Walter (Walt) Scharer, AICP; and media representatives

Absent: Council Member Michael R. Royster

Mayor Alexander called the meeting to order at 6:00 p.m. and welcomed all who were in attendance. The Mayor gave the invocation and Mr. Ware led the *Pledge of Allegiance*.

A. Approval of Agenda:

- 1) Motion to adopt the proposed agenda

ACTION TAKEN: Upon a motion by Mr. Shores, second by Mr. Hopper, City Council voted unanimously to approve the agenda as presented.

B. Special Presentation:

- 1) Cleveland County Economic Development Partnership Quarterly Update – Kristin H. Fletcher, Executive Vice President, Economic Development, Cleveland County Chamber of Commerce

Mayor Alexander introduced Michael Chrisawn, President of the Cleveland County Chamber of Commerce, and Kristin Fletcher, Executive Vice President of the Cleveland County Economic Development Partnership (CCEDP).

Prior to her presentation, Mrs. Fletcher provided Council with an information packet which included the following:

- Cleveland County Business Resource Guide brochure
- May 2009 Report
- City of Shelby Business Park Certification Marketing Goals preliminary proposal
- Project Tracking for Economic Development sample report
- North Carolina Certified Site sample marketing report
- North Carolina Department of Commerce Monthly Overview of North Carolina's Economy May 2009 Report

Mrs. Fletcher stated Cleveland County continues to experience a high amount of project activity throughout the entire region and detailed the active new industry and active expansion projects listed in her report.

Next Mrs. Fletcher commented on her action items specifically relating to the City of Shelby which included:

- **Building and Site Database Updates –** There is continuous maintenance and room for improvement on CCEDP's building and site database. CCEDP provides outreach to commercial brokers to ensure that all their industrial listings are included and rechecks the data on buildings or sites already listed. Additionally, CCEDP will be adding photographs and aerials to those buildings and sites that are lacking those items.
- **Marketing Plan for 152 acre site –** The Certified Business Park designation for the City of Shelby's 152 acre site will be a valuable marketing tool and will be useful in attracting projects. Business Park certification will be a promise to customers that the site is modern and attractive as well as a high quality business location with the required components necessary for success. The proposed marketing framework should help the City of Shelby maximize benefits of the Site Certification designation.
- **Signage for Owl's Eye Winery and Certified 152 acre Business Park**
- **Infrastructure and Product Development**

Mrs. Fletcher also commented on CCEDP'S current action items including:

- **Project Management Software and GIS –** CCEDP has purchased EcoDev Project Management software and is building the database with active projects. It will be able to accurately track projects based on significant factors such as: building square footage requirements, ceiling height requirements, competition, investment, and other contributing factors. CCEDP has also purchased a new geographic

information system (GIS) system, which will be integrated into CCEDP's current website, and also transitioned over to their new website.

- **Website Design – CCEDP's new website launch has been delayed due to the fact that the new site is all-encompassing and comprehensive. The continued addition of new features has also contributed to the delays. CCEDP is looking for quality and will be integrating some of the most state-of-the-art technologies into this site.**
- **Consultant and Prospective Company Electronic (E) Blasts – Ongoing e-blasts will be sent to site consultants and prospective companies in some target markets. The Charlotte Regional Partnership has had great success with this effective and no cost marketing method. CCEDP will also be creating response and follow-up methodologies.**

Mrs. Fletcher concluded by stating that until her Assistant Vice President is hired, Cleveland County's Assistant Manager, Eddie Bailes, has been filling in to assist and visit existing industries. She announced that a seminar will be conducted on June 18, 2009 at Gardner-Webb University to provide resources for local small businesses including current business owners as well as start-ups of new businesses. In addition to working on preliminary efforts to market the City of Shelby's future certified business park, Mrs. Fletcher recommended construction of a speculative building on the property.

A brief discussion followed regarding the City's Wayfinding Project including Phase 1 implementation funded by travel and tourism revenue, and the anticipated completion of the wayfinding process in three to five years, which remains unfunded at this time. Council agreed that in the near future consideration should be given to speculative construction of an industrial building within the business park site, if sufficient grant funding can be acquired to offset costs to the City and Cleveland County. Discussions regarding construction are ongoing between the City and County.

C. Consent Agenda:

ACTION TAKEN: Mayor Alexander presented the consent agenda. Mrs. Patterson made a motion to approve the consent agenda and each item as presented. After a second from Mr. Ware, the consent agenda and following items were unanimously approved:

- 1) Approval of the Minutes of the Special Meeting of May 11, 2009**
- 2) Approval of the Minutes of the Special Meeting of May 12, 2009**

- 3) Approval of the Minutes of the Regular Meeting of May 18, 2009
- 4) Approval of a resolution awarding the contract for construction of the Asphalt Regulator Station and Meter Project: Resolution No. 38-2009

END CONSENT AGENDA

D. Unfinished Business:

- 1) Consideration of the proposed budget of the City of Shelby for Fiscal Year 2009-2010 – Rick Howell, City Manager

Prior to his presentation, Mr. Howell provided Council with the revised Budget Message for Fiscal Year 2009-2010, the proposed Budget Ordinance, Summaries of all fund revenues and expenditures, and Line Item Detail Reports for all funds.

Mr. Howell stated that the recommended budget for Fiscal Year 2009-2010 includes that the tax rate remain at 0.435 per \$100 of valuation. However, Mr. Howell reiterated that the recommended Shelby property tax rate continues to be among the lowest of full-service North Carolina municipalities with populations between 15,000 and 30,000. It should also be noted that Shelby's rate is also among the lowest in the region. Charts were included in his Budget Message for illustrative purposes. Most of the few cities whose property tax rates are lower than Shelby's do not provide a comparable level of services. However, many of those with higher property tax rates do not make use of significant utility transfers to supplement the tax rate, even those few cities that are also natural gas providers. Mr. Howell said the ability to maintain such a low tax rate will depend upon the economy and the future growth in revenues. If future sales and/or property tax revenues further flatten or even decline, this will greatly impact the ability to maintain the current tax rate without significantly impacting the departments delivering General Fund services.

Mr. Howell cited examples of significant expenditure and revenue trends impacting the Fiscal Year 2009-2010 budget and future fiscal years as follows:

- High costs of fuel due to dramatic price fluctuations; the uncertainty and reliability of service in this area will be addressed with the opening of the new fueling facility this fall
- Implementation of the Center City Master Plan recommendations including streetscape, marketing, and wayfinding are unfunded with

the exception of some travel and tourism revenue for Phase I of the Wayfinding Program

- Proposed improvements identified in the Parks and Recreation Master Plan will require significant funding even if phased in over the next 5 to 10 years
- The purchase price of wholesale electricity from the North Carolina Municipal Power Agency 1 (NCMPA1) increasing at a higher rate than retail sale revenue
- A stagnant customer base whose overall utility consumption is on the decline as well as the transition of this base from one that was once impacted by significant industrial use to one reflecting a residential and commercial influence. The impact being that the same fixed costs are now being paid by fewer customers thus putting pressure on rates.
- Profits in the Natural Gas Fund that have for many years allowed a subsidy transfer to the General Fund are shrinking and are of concern with the tenuous economic circumstances given the uncertainty surrounding some of our larger industrial customers who significantly contribute to this revenue stream. A phased reduction of this transfer continues to be a recommendation of management.
- The property tax base continues to grow only slightly and since it is the major source of revenue in the General Fund, it is unlikely services can be maintained at current levels without tax rate increases, a significant reduction in services, or a combination thereof.
- Replacement vehicles and equipment, including one large apparatus purchase, a new fire pumper truck to replace a 1979 truck to be taken out of service, for the Fire and Rescue Department

Mr. Howell stated Council must be prepared to openly have the discussion and debate regarding the expectations the citizens have of their City government and what they are willing to do without or continue to pay for in the future.

As noted previously, Mr. Howell stated that there is no tax or fee increases proposed in the General Fund. This year initial recommendations were made for rate increase in water (12 percent), wastewater (5 percent), and electric (4 percent) primarily to meet an anticipated spike in debt payments beginning in 2010, offset an anticipated decline in sales, and to account for increases in the cost of wholesale power. However, given the current economic conditions and high rate of unemployment experienced by the

area, Council expressed a desire to maintain current rates. No rate increases are reflected in the proposed budget. Electric utility rates will be adjusted to include a rider for the Renewable Energy Portfolio Standards. Applicable electric rate schedule will increase by the following: Residential \$0.52 a month, Commercial \$2.60 a month, and Industrial \$26.40 a month. Expenditure estimates are roughly the same and the shortfall in revenue is made up with appropriation of retained earnings in both the Water (\$400,000) and Electric (\$619,000) Funds.

Mr. Howell said the recommended budget for Fiscal Year 2009-2010 totals \$61,625, 402 for all City personnel, operations, capital improvements, and debt service. No new full-time positions are recommended in this budget. This budget recommendation does not include funding to provide for the continuation of the recently adopted Performance Pay Program for City employees. As noted to Council during the budget workshops, if there appears to be sufficient revenue at mid-year and after an evaluation of revenue receipts at that point in time, then Mr. Howell's recommendation to provide employees with some financial reward would be forwarded to Council. While there is no increase in health insurance expected based upon the stated renewal received from Blue Cross/Blue Shield this year, Mr. Howell said this will most likely not hold in the coming years.

Though they have been taken into consideration with this budget recommendation, Mr. Howell presented the key challenges and opportunities for Fiscal Year 2009-2010 and beyond as follows:

- Development of the Foothills Commerce Center previously referred to as the Westside Business Park
- Petroleum prices and the City's Fueling Station
- Shelby-Cleveland County Regional Airport
- Travel and tourism
- Stagnant tax and utility customer bases

Of particular concern to Mr. Mabry were the consequences of an appropriation of retained earnings from the Electric Fund reserves of approximately \$600,000. Mr. Howell explained that Council is aware that the City has used some minor amounts of fund balance or retained earnings in the utility funds over the past fiscal years to balance budgets. Those amounts used in the past, however, have not exceeded the reserves necessary to protect the City's ability to deal with special needs, unforeseen emergency situations, and to maintain the City's bond ratings and meet bond covenants. Mr. Howell commented with no utility rates increases this year, the retained earnings in the Water, Wastewater, and Electric Funds do begin to cause concern. Deferred rate increases this year will ultimately mean larger, recurring increases in subsequent years. Retained earnings are

budgeted to support the Electric and Water Funds. Mr. Howell said the 4 percent increase in wholesale power cost incurred from the North Carolina Municipal Power Agency 1 (NCMPA 1) is being absorbed and paid for using retained earnings. Over reliance on fund balance and/or retained earnings in any one fiscal year is a dangerous practice in times of slow growth, particularly if used for ongoing operations. Mr. Howell cautioned the City must avoid the practice of over reliance on fund balance or retained earnings, which would require the City to eventually generate ongoing replacement revenue or new sources of funding. Mayor Alexander concurred with Mr. Howell's opinion and urged Council to reconsider the 4 percent electric rate increase because the wholesale power rate increase is passed along to the City by NCMPA 1. Mr. Mabry suggested a 2 percent electric rate increase.

Mr. Howell concluded by stating the proposed budget will be available for public inspection beginning June 2, 2009 in the City Clerk's Office and posted for viewing on the City's website. The public hearing, as required by North Carolina General Statute, will be advertised for the regularly scheduled Council meeting of June 15, 2009 at 6:00 p.m. in Council Chamber.

By consensus, Council made no changes to the proposed budget as presented.

E. New Business: None

F. City Manager's Report: None

G. Council Announcements and Remarks:

- 1) Mrs. Patterson brought to staff's attention that a 35 mph speed limit sign on Gidney Street near the old Universal Manufacturing plant has been altered to 85 mph.
- 2) Mr. Mabry, who serves as Council liaison to the Parks and Recreation Advisory Board, shared compliments received from the City's insurance carrier about the City's pool. Mr. Mabry also praised the Parks and Recreation staff for their efficiency in running the department as well as their various programs.
- 3) Mayor Alexander paid tribute to all those who participated in the Cleveland County Fallen Firefighters Memorial Service on May 25, 2009.

H. Closed Session:

- 1) To complete the annual performance evaluation of the City Clerk pursuant to North Carolina General Statute 143-318.11 (a) (6)

ACTION TAKEN: Mr. Hopper made a motion to enter into a closed session to complete the performance evaluation of the City Clerk pursuant to the appropriate North Carolina General Statute as cited. Council consulted with Mr. Yelton who advised that the topic met the statutory requirement for a closed session. The Mayor invited all Council members present, Mr. Howell, and Mr. Yelton to attend. The motion was seconded by Mr. Shores. The motion passed unanimously and Council moved into closed session at approximately 7:34 p.m.

ACTION TAKEN: Upon a motion by Mr. Mabry, second by Mr. Hopper, City Council voted unanimously to return to regular session.

ACTION TAKEN: Upon a motion by Mr. Shores, second by Mr. Ware, City Council voted unanimously to approve a 3 percent increase in the annual compensation of the City Clerk based on her annual performance evaluation.

I. Adjournment:

- 1) Motion to adjourn

ACTION TAKEN: Upon a motion by Mr. Shores, second by Mr. Mabry, City Council voted unanimously to adjourn the meeting at 8:05 p.m.

Respectfully submitted,

Bernadette A. Parduski, CMC
City Clerk

W. Ted Alexander
Mayor